

**THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI**

**JUNE 2016 EXAMINATIONS**

**CERTIFICATE IN FINANCIAL ACCOUNTING**

**PAPER FA 3: BUSINESS KNOWLEDGE**

**EXAMINER'S REPORT**

**GENERAL COMMENTS**

This paper required candidates to answer five questions; two questions from Section A and three questions from Section B. A few candidates did not follow this instruction. For example a few candidates answered more than two questions in Section A and as a result only the first two questions were marked.

The exam consisted of seven 20 mark questions, three questions in Section A and four in Section B. Candidates were allowed to answer any two questions in Section A and any three questions in Section B within the three hour time allocation for the paper.

The paper was fair, practical and examined topics relevant to the knowledge required of an aspiring accountant at this level. The overall performance of candidates leaves a lot to be desired with respect to the fact that the questions were not as tough. The questions covered the syllabus well in areas of commerce, basic economics and business law. Those candidates who prepared very well scored very good marks in the chosen questions.

Candidates were expected to also apply some of the knowledge gained to the scenario based question that was there. It was noted that most candidates responded based on what they had memorized and not based on the scenario.

It should be noted that candidates who are well abreast of current affairs are more likely to earn good marks in this paper.

A few candidates continue to ignore instructions of beginning each answer on a fresh page, e.g. having an answer to question number 3 on the same page with an answer to question 6. Others still continue to copy the question before answering it, which makes them lose time. A few attempted questions without labeling the sub answers, this makes the paper hard to mark.

Marks were being lost where a candidate was required to list but took an additional mile to discuss the listed items, and discussion was a misrepresentation of facts. Questions 1(b), 5 (a), 7(a), and 7(c) were of such nature and a wrong discussion on each question meant a mark lost. There others who continue to write more points than the required in a question, in an attempt to make the examiner choose those that are right. This is not acceptable. Candidates need to know that only the first required number of points are marked the other write up is a time waster.

## **QUESTION 1**

This question was on business organizations and import trade. Most candidates attempted this question and scored very good marks. Most candidates managed to state four functions of a retailer in part (a). However, a number of candidates had difficulties in listing four types of large-scale retailing businesses in (b) as well as in (c) where candidates had to explain two problems associated with importing from other countries. In this question, candidates lost marks when they gave wrong explanations to a question that only required listing/stating.

## **QUESTION 2**

This question was on agency and negotiable instruments. In part (a) candidates were required to name a type of agent that suited each of the descriptions in (i) through (iv); most candidates gave the correct types of agents. Most candidates managed to state three circumstances under which an agency might be terminated by operation of the law in part (b). However, candidates could not come out clearly where they were required to state three circumstances that must be satisfied for a document to be a negotiable instrument in part (c).

## **QUESTION 3**

This question, on advertising, retailing and import trade, had candidates struggling to provide required answers. Part (a) required candidates to mention any two disadvantages of using posters to advertise a job vacancy; in this one few candidates provided good answers. In part (b) few candidates came out clearly on naming the two methods of payment they would encourage their customers to use.

## **QUESTION 4**

This question had a mix of corporate governance, business organizations and banking. Most candidates failed to state the four principles of corporate governance in (a). In part (b) candidates managed to mention any four contents of a partnership agreement but failed to provide good answers to a question in (c) that required the candidates to state two disadvantages of using Automated Teller Machines (ATM) in carrying out bank transactions.

## **QUESTION 5**

This question was on business organizations and banking. In part (a) most candidates managed to list three types of preference shares. Most candidates also managed to mention two ways of dissolving a limited company in part (b). Most candidates could not define a memorandum of association in a limited company in part (c). Most candidates managed to define money in (d) but failed to explain the two important roles that the Malawi Ministry of Finance plays in the operation of parastatals in part (e). Most candidates still failed to give definition of a listed

company in part (f). In this definition, issues of shares and stock exchange were important consideration in the allocated marks.

## **QUESTION 6**

This question was on contract law and business organizations. Few candidates managed to state, with a relevant supporting case, whether K55 was an offer or invitation to treat in part (a). Most candidates did not manage to list three ways in which terms of a contract might be implied in part (b). Most candidates also managed to mention the main focus of private law; and public law in part (c) and (d) on mentioning a business unit that is affected by limited liability and unlimited liability respectively.

## **QUESTION 7**

Few candidates did well in this question which was on Malawi legal court structure, insurance, banking and trade. Few candidates managed to list three subordinate courts in part (a). Most candidates failed to define and cite an example of a non-insurable risk in insurance business in part (b). Most candidates as well could not fully mention two statutory corporations and two private companies that are doing e-commerce by the use of Automated Teller Machines (ATM). Some lost marks by discussing wrongly the use of ATMs, as this is not the way the institution uses the ATMs but to have its customers pay water bills on ATMs.

In part (d), candidates were required to discuss ‘how’ security concerns are a disadvantage of e-commerce. The examiner expected candidates to discuss on hacker/hacking to earn the 2 marks.

## **RECOMMENDATIONS**

The following recommendations should be considered for improvement in the performance of the candidates:

- Candidates should indicate the question number on top of every page on the space provided.
- Candidates should start every question on a fresh page.
- Institutions should advise students on the importance of following instructions.
- Institutions should be advised to teach their students to differentiate questions which demand explanation and description from those that demand mentioning, stating, indicating and outlining.

- The lecturers should coach the students on how to approach the examination questions. It was observed that candidates could start answering the questions without understanding what the questions demand. Other candidates were repeating the concepts in the course of explaining them.
- Lectures should complete their Business Knowledge syllabus before the candidates go for final examination.